

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

-----X
UNIVERSAL CITY STUDIOS, INC.,

Plaintiff,

-against-

NINTENDO CO., LTD. and
NINTENDO OF AMERICA, INC.,

Defendants.
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Entered	3/27/83
Filed	
L/D	reply
to counterclaim	4/4/83
BY	lsm

82 Civ. 4259 (RWS)
AMENDED
ANSWER AND
COUNTERCLAIMS

Defendant Nintendo of America, Inc. ("Nintendo America"), by its attorneys, Mudge Rose Guthrie & Alexander and Sax and MacIver, for its Answer to the Complaint and Counterclaims herein alleges as follows:

1. Denies knowledge or information sufficient to form a belief as to the truth of the allegations contained in Paragraph 1 of the Complaint.

2. Denies the allegations contained in Paragraph 2 of the Complaint, except admits that defendant Nintendo Co., Ltd. is a corporation organized under the laws of Japan.

3. Denies the allegations contained in Paragraph 3 of the Complaint.

4. Admits that plaintiff purports in Paragraph 4 of the Complaint to state a cause of action under 15 U.S.C. § 1051, et seq., and the laws of the State of New York involving a controversy exceeding a sum of \$10,000 and admits that plaintiff purports to base subject matter jurisdiction upon 28 U.S.C. § 1338(a), 15 U.S.C. § 1121, 28 U.S.C. § 1338(b) and principles of pendent jurisdiction

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and purports to place venue in the Southern District of New York under
28 U.S.C. § 1391(b) and 1400(a).

5. Denies knowledge or information sufficient to form a belief
as to the truth of the allegations in Paragraph 5 of the Complaint.

6. Denies knowledge or information sufficient to form a belief
as to the truth of the allegations in Paragraph 6 of the Complaint.

7. Denies knowledge or information sufficient to form a belief
as to the truth of the allegations in Paragraph 7 of the Complaint.

8. Denies knowledge or information sufficient to form a belief
as to the truth of the allegations in Paragraph 8 of the Complaint.

9. Denies knowledge or information sufficient to form a belief
as to the truth of the allegations in Paragraph 9 of the Complaint.

10. Denies knowledge or information sufficient to form a belief
as to the truth of the allegations in Paragraph 10 of the Complaint.

11. Denies knowledge or information sufficient to form a belief
as to the truth of the allegations in Paragraph 11 of the Complaint.

12. Denies knowledge or information sufficient to form a belief
as to the truth of the allegations in Paragraph 12 of the Complaint.

13. Denies knowledge or information sufficient to form a belief
as to the truth of the allegations in Paragraph 13 of the Complaint.

14. Denies the allegations in Paragraph 14 of the Complaint,
except admits that defendant Nintendo America manufactures, distrib-
utes and sells in interstate commerce in the United States a coin
operated video arcade game bearing the name "Donkey Kong, and that a
panel of the game states in part: "Save the lady from Donkey Kong",
but respectfully defers to a physical inspection of the game itself
for a description thereof.

15. Denies the allegations contained in Paragraph 15 of the Complaint.

16. Denies the allegations contained in Paragraph 16 of the Complaint.

17. Denies the allegations contained in Paragraph 17 of the Complaint.

18. Denies the allegations contained in Paragraph 18 of the Complaint, except admits that Universal has made demands by telex dated April 29, 1982, and respectfully refers to that telex for the contents thereof.

19. Denies the allegations contained in Paragraph 19 of the Complaint.

20. Denies the allegations contained in Paragraph 20 of the Complaint.

21. Denies the allegations contained in Paragraph 21 of the Complaint.

22. Denies the allegations contained in Paragraph 22 of the Complaint, except states that Nintendo America intends to persist in the manufacture, advertisement, sale, offering for sale and distribution of the game "Donkey Kong."

23. Denies the allegations contained in Paragraph 23 of the Complaint.

24. Repeats and realleges its answers to Paragraphs 1 through 19 of the Complaint as if set forth fully herein.

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25. Denies the allegations contained in Paragraph 25 of the Complaint.

26. Denies the allegations contained in Paragraph 26 of the Complaint.

27. Denies the allegations contained in Paragraph 27 of the Complaint.

28. Denies the allegations contained in Paragraph 28 of the Complaint, except admits that Nintendo America intends to persist in the manufacture, advertisement, sale, offering for sale, and distribution of the game "Donkey Kong."

29. Denies the allegations contained in Paragraph 29 of the Complaint.

30. Repeats and realleges its answers to Paragraphs 1 through 19 of the Complaint as if set forth fully herein.

31. Denies the allegations contained in Paragraph 31 of the Complaint.

32. Denies the allegations contained in Paragraph 32 of the Complaint.

33. Denies the allegations contained in Paragraph 33 of the Complaint, except admits that Nintendo America intends to persist in the manufacture, advertisement, sale, offering for sale, and distribution of the game "Donkey Kong."

34. Denies the allegations contained in Paragraph 34 of the Complaint.

35. Repeats and realleges its answers to Paragraphs 1 through 19 of the Complaint as if set forth fully herein.

36. Denies the allegations contained in Paragraph 36 of the Complaint.

37. Denies the allegations contained in Paragraph 37 of the Complaint.

38. Denies the allegations contained in Paragraph 38 of the Complaint, except admits that Nintendo America intends to persist in the manufacture, advertisement, sale, offering for sale, and distribution of the game "Donkey Kong."

39. Denies the allegations contained in Paragraph 39 of the Complaint.

40. Repeats and realleges its answers to Paragraphs 1 through 19 of the Complaint as if set forth fully herein.

41. Denies the allegations contained in Paragraph 41 of the Complaint.

42. Denies the allegations contained in Paragraph 42 of the Complaint.

43. Denies the allegations contained in Paragraph 43 of the Complaint, except admits that Nintendo America intends to persist in the use of the words "Donkey Kong" as a trade name.

44. Denies the allegations contained in Paragraph 44 of the Complaint.

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AS AND FOR A FIRST AFFIRMATIVE DEFENSE

45. Plaintiff has failed to assert a cause of action upon which relief may be granted.

AS AND FOR A SECOND AFFIRMATIVE DEFENSE

46. Plaintiff has unclean hands and is not entitled to relief from this Court.

AS AND FOR A THIRD AFFIRMATIVE DEFENSE

47. Plaintiff by its conduct is equitably estopped from claiming infringement or unfair competition.

AS AND FOR A FOURTH AFFIRMATIVE DEFENSE

48. Plaintiff's claims are barred by laches.

AS AND FOR A FIFTH AFFIRMATIVE DEFENSE

49. Plaintiff and/or its predecessors have abandoned or waived their rights, if any, in the name, character and story of "King Kong."

AS AND FOR A SIXTH AFFIRMATIVE DEFENSE

50. Plaintiff has acquiesced in defendant's use of its trademark "Donkey Kong".

AS AND FOR A SEVENTH AFFIRMATIVE DEFENSE

51. The name "kong" is or has become a generic designation or description of an ape or similar creature and has no secondary meaning.

AS AND FOR AN EIGHTH AFFIRMATIVE DEFENSE

52. In so far as plaintiff is claiming common law violation of its rights in the story and character of King Kong, its claims are preempted by federal law.

AS AND FOR A NINTH AFFIRMATIVE DEFENSE

53. Defendant's use of "Donkey Kong" is a fair use.

AS AND FOR AN TENTH AFFIRMATIVE DEFENSE

54. Defendant has priority of use of the "Donkey Kong" name and expression as developed in the audio-video game market and products derived from or associated with the audio-video game market.

AS AND FOR A ELEVENTH AFFIRMATIVE DEFENSE

55. Defendant has exercised reasonable care to inform the public of the source of its product.

AS AND FOR A TWELFTH AFFIRMATIVE DEFENSE

56. Plaintiff has no claim to a trade name, trademark, service mark or other right in the name, character and story of "King Kong."

AS AND FOR A FIRST COUNTERCLAIM

57. Prior to July 1981, Nintendo Co., Ltd. ("Nintendo Japan") created an audio-video game entitled Donkey Kong. Nintendo Japan expended over One Hundred Thousand Dollars (\$100,000) in direct development costs for the game Donkey Kong. Nintendo Japan first published the game Donkey Kong in Japan on July 9, 1981.

58. Operation of the Donkey Kong game includes the use of original audio-video material, which audio-video material was created for use in the Donkey Kong game by Nintendo Japan, and which audio-video material is copyrightable subject matter under the laws of the United States.

59. On July 27, 1981, Nintendo Japan assigned all of its right, title and interest to United States copyrights in the Donkey Kong game to Nintendo America.

60. United States Copyright Registration No. PA 115-040 was issued to Nintendo America with an effective date of July 30, 1981.

61. Nintendo America has complied with all statutory requirements necessary to perfect its claim of copyright in the Donkey Kong game, including placing a copyright notice on each game unit. Nintendo America has complied in all respects with the laws governing the Donkey Kong copyright.

62. At all times relevant hereto, Nintendo America has been and continues to be the owner of the exclusive right to import, assemble, and distribute the Donkey Kong audio-video game in the United States, Canada, and the Western Hemisphere, and has been and continues to be the holder of all right, title and interest in and to the United States copyright and other proprietary rights in the Donkey Kong audio-video game.

63. Neither Nintendo Japan nor Nintendo America has granted to Universal City Studios, Inc. ("Universal"), plaintiff herein, any license or other rights in and to the Donkey Kong game under the copyright laws of the United States.

64. Upon information and belief, Universal in 1981 licensed the King Kong name and character to Tiger Electronics, Inc. ("Tiger") for use by the latter in the manufacture and sale of home audio-video games and cassettes.

65. Upon information and belief, Tiger is a corporation which pursuant to the licensing agreement with Universal manufactured, displayed, promoted and sold home video games and cassettes bearing the name King Kong which it distributed and sold in interstate commerce in the United States.

66. Upon information and belief, in or about June 1982, Tiger infringed Nintendo America's Donkey Kong copyright by, among other things, distributing, offering for sale and selling in interstate commerce and elsewhere audio-video games bearing the name King Kong ("the Infringing Games") which embody audio-video material that is virtually identical to the audio-video material embodied in Nintendo America's copyrighted Donkey Kong video game, all in

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violation of 17 U.S.C. §§ 101 et seq. Upon information and belief, Tiger has further infringed Nintendo America's copyright by knowingly inducing others to distribute, operate and publicly perform the Infringing Games for profit in this District and elsewhere and by contributing to the infringing acts of others, all in violation of 17 U.S.C. §§ 101 et seq. Upon information and belief the above stated infringements were carried out with the approval and complicity of Universal.

67. Universal, as licensor of the King Kong name and character being used by Tiger Electronics in its Infringing Games has contributed to the infringing acts of Tiger in violation of 17 U.S.C. §§ 101, et seq.

68. The Infringing Games bearing the trademark King Kong distributed, sold and offered for sale or lease to the public by Tiger have no non-infringing use.

69. The acts of Universal and Tiger are and were willful and in reckless disregard of the rights of Nintendo America. Upon information and belief, they were undertaken by Universal and Tiger Electronics with full knowledge of their unlawful nature.

70. By reason of the foregoing, Nintendo America has been damaged in an amount not presently ascertainable, but which exceeds \$10,000, and the foregoing acts, unless plaintiff is enjoined by this Court, will cause and will continue to cause immediate, substantial and irreparable injury to Nintendo America, for which no adequate remedy at law exists.

AS AND FOR A SECOND COUNTERCLAIM

71. Nintendo America repeats and realleges each of its allegations contained in Paragraphs 57 through 70 of its Counterclaims as if fully set forth in paragraph 71.

72. Nintendo America is the owner of the trademark Donkey Kong, and the audio-visual games known as Donkey Kong.

73. In February 1982, Nintendo Japan and Nintendo America granted Coleco Industries Inc. ("Coleco") a limited and exclusive license to use Nintendo America's trademark and copyright in Donkey Kong in connection with cartridge or cassette home video games and electronic table-top games.

74. Pursuant to the licensing agreement between Nintendo Japan and Nintendo America and Coleco in connection with the table top games, Coleco agreed to pay Nintendo Japan and Nintendo America a fixed sum and certain royalties for each Donkey Kong electronic table-top game sold by Coleco.

75. Pursuant to the licensing agreement between Nintendo Japan and Nintendo America and Coleco in connection with the cartridge and cassette games, Coleco agreed to pay Nintendo Japan and Nintendo America a fixed sum and certain royalties for each Donkey Kong video game cassette or cartridge sold by Coleco.

76. Upon information and belief, Universal is and has been fully aware of the licensing agreement between Nintendo Japan and Nintendo America and Coleco since at least April 1982.

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77. In April 1982, Universal sent a telex to Nintendo Japan and Coleco demanding that they cease and desist from the use of the King Kong name, character and visual image in their Donkey Kong products. Universal threatened legal action if compliance were not forthcoming.

78. Upon information and belief, Universal used its threats of litigation to force Coleco to enter into an agreement after April 1982, pursuant to which Coleco agreed to pay a three percent (3%) royalty to Universal on all sales of Donkey Kong products ("Coleco Agreement").

79. To date, Universal has received from Coleco at least two million dollars (\$2,000,000) from the Coleco Agreement.

80. By inducing Coleco to enter into the Coleco Agreement, Universal caused Coleco to breach material terms of its licensing agreement with Nintendo Japan and Nintendo America.

81. As a result of the Coleco Agreement, the licensing agreement between Coleco and Nintendo Japan and Nintendo America has been impaired by reducing the amount of royalties available to Nintendo Japan and Nintendo America and has otherwise been reduced in value.

82. Further, the effect of the separate agreement between Universal and Coleco has been to diminish the trademark and copyright rights of Nintendo Japan and Nintendo America to Donkey Kong through implication of a conflicting or confusing claim to the Donkey Kong name and trademark.

83. The acts of Universal constitute intentional interference with the contractual relations between Nintendo Japan, Nintendo America and Coleco.

84. By reason of the foregoing, Nintendo America has been damaged in an amount not presently ascertainable, but which exceeds \$10,000, and the foregoing acts, unless plaintiff is enjoined by this Court, will cause and will continue to cause immediate, substantial and irreparable injury to Nintendo America, for which no adequate remedy at law exists.

AS AND FOR A THIRD COUNTERCLAIM

85. Nintendo America repeats and realleges each of its allegations contained in Paragraphs 57 through 84 of its Counterclaims as if fully set forth in paragraph 85.

86. Nintendo of America has the exclusive right to exploit all aspects of Donkey Kong in the United States.

87. Both before and after commencement of this action, Universal has wrongfully held itself out as the owner of rights in Donkey Kong although it has no such rights.

88. On May 12, 1982, Universal caused Coleco to enter into an agreement ("Coleco Agreement") with Universal by asserting these alleged ownership rights whereby Coleco agreed to pay to Universal a royalty of 3% of gross wholesale sales of Donkey Kong tabletop electronic games and home video games as long as Coleco or its licensees was engaged in the sale or distribution of such products.

89. Universal maintains that it has the right to license Donkey Kong and that the Coleco Agreement is a licensing agreement and that Coleco is its licensee insofar as it markets Donkey Kong products.

90. To date, Universal has received from Coleco at least two million dollars as a result of the Coleco Agreement.

91. Pursuant to the Coleco Agreement, Universal has wilfully appropriated, at no expense to Universal, Nintendo America's rights and goodwill in Donkey Kong, and has or will obtain royalties through such wrongful appropriation.

92. Further, Universal has wrongfully represented to other licensees of Nintendo America that it has rights in Donkey Kong in an attempt to enter into additional agreements similar to the Coleco Agreement.

93. Upon information and belief, Universal has acted in bad faith in appropriating and attempting to appropriate the rights of Nintendo America in Donkey Kong.

94. The acts of Universal constitute intentional misappropriation of the rights of Nintendo America in Donkey Kong.

95. By reason of the foregoing, Nintendo America has been damaged in an amount not presently ascertainable, but which exceeds \$10,000, and the foregoing acts, unless plaintiff is enjoined by the Court, will cause and will continue to cause immediate, substantial and irreparable injury to Nintendo America, for which no adequate remedy at law exists.

AS AND FOR A FOURTH COUNTERCLAIM

96. Nintendo America repeats and realleges each of its allegations contained in Paragraphs 57 through 95 of its Counterclaims as if fully set forth in Paragraph 96.

97. Since late 1981, Nintendo America has licensed its Donkey Kong trademark to many licensees. Pursuant to these licensing agreements, the licensees agreed to manufacture and distribute electronic and non-electronic games and products bearing the Donkey Kong trademark and agreed to pay Nintendo America a fixed sum and certain royalties for each Donkey Kong product sold.

98. On January 3, 1983, counsel for Universal in a letter, which upon information and belief was sent to many if not all of Nintendo America's Donkey Kong licensees, threatened to take legal action against Nintendo America's licensees unless such licensees either (1) immediately ceased all sales of Donkey Kong products or (2) obtained a license from Universal for the sale of such products.

99. Upon information and belief, as a result of the threats in the Universal letter of January 3, 1983, many of Nintendo America's licensees have ceased or considered ceasing production and marketing of Donkey Kong products or obtaining a license from Universal in violation of their licensing agreements with Nintendo America.

100. The effect of the Universal letter has been to disrupt Nintendo's licensing program and to diminish the goodwill that Nintendo America has developed with its licensees.

101. The effect of the Universal letter has also been to diminish the trademark rights of Nintendo Japan and Nintendo America to the Donkey Kong through implication of a conflicting or confusing claim to the Donkey Kong name and trademark.

102. The acts of Universal constitute intentional interference with the contractual relations between Nintendo America and its licensees.

103. By reason of the foregoing, Nintendo America has been damaged in an amount not presently ascertainable, but which exceeds \$10,000, and the foregoing acts, unless plaintiff is enjoined by this Court will cause and will continue to cause immediate, substantial and irreparable injury to Nintendo America, for which no adequate remedy at law exists.

AS AND FOR A FIFTH COUNTERCLAIM

104. Nintendo America repeats and realleges each of its allegations contained in Paragraphs 57 through 103 of its Counterclaims as if fully set forth in Paragraph 104.

105. Since late 1981, Nintendo America has licensed its Donkey Kong trademark to many manufacturers of electronic and non-electronic games and products.

106. Upon information and belief Universal was fully aware of these licensing activities.

107. After the present lawsuit by Universal was filed against Nintendo America and Nintendo Japan in July 1982, several of Nintendo America's potential licensees, including Union Underwear and others refused to do business with Nintendo America.

108. Upon information and belief, Universal by commencing this litigation, threatening litigation against Nintendo's licensees and wrongfully entering into its agreement with Coleco, has intentionally induced Union Underwear and other potential licensees to refrain from dealing with Nintendo America.

109. By their aforesaid conduct, plaintiff did intentionally and without justification or excuse injure defendant Nintendo America in its business and property by interfering with defendant Nintendo America's prospective economic advantage. Upon information and belief, Nintendo America would have entered into a number of additional licensing agreements but for this interference.

110. By reason of the foregoing, Nintendo America has been damaged in amount not presently ascertainable, but which exceeds \$10,000, and the foregoing acts, unless plaintiff is enjoined by this Court, will cause and will continue to cause immediate, substantial and irreparable injury to Nintendo America, for which no adequate remedy at law exists.

WHEREFORE, defendant Nintendo America demands judgment as follows:

(a) dismissing the Complaint of Universal herein;

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(b) awarding the defendant a judgment against plaintiff requiring it to pay to defendant an amount yet to be determined for damages sustained by defendant as a result of plaintiff's infringement of defendant's copyright; plaintiff's interference with defendant's contractual relationships; interference with defendant's prospective business relationships; and plaintiff's misappropriation of defendants' trademark rights; and

(c) awarding the defendant all monies plaintiff has received from Coleco in connection with the Coleco Agreement and awarding the defendant all monies plaintiff receives from the licensees of Nintendo America;

(d) granting an injunction enjoining plaintiff pendente lite and permanently from:

1. licensing its King Kong trademark to any licensee where the product created will infringe Nintendo's copyright in Donkey Kong;
2. receiving any further royalties from Coleco with respect to sales of Donkey Kong products;
3. misappropriating the trademark rights of defendants;
4. interfering with the business relationships of defendant and its licensees; and
5. interfering with the business relationships of defendant and its potential business licensees;

(e) awarding punitive damages in the amount of five million dollars (\$5,000,000) against the plaintiff named herein;

(f) awarding the defendant attorneys' fees and the costs and disbursements of this action; and

(g) awarding such other relief as the Court deems just and proper.

By 
A Member of the Firm

Dated: February 4, 1983

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